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7 PACIFIC GAS AND ELECTRIC COMPANY

8
9 UNITED STATES BANKRUPTCY COURT

10 NORTHERN DISTRICT OF CALIFORNIA

11 SAN FRANCISCO DIVISION

12 In re

Case No. 01-30923 DM

13 PACIFIC GAS AND ELECTRIC
COMPANY, a California corporation,

Chapter 11 Case

14 Debtor.

Date: November 8, 2002

Time: 1:30 p.m.

Place: 235 Pine Street, 22nd Floor
San Francisco, California

15 Federal I.D. No. 94-0742640
16

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18 DECLARATION OF WILLIAM A. UTIC IN SUPPORT OF
19 THIRD MOTION FOR AUTHORITY TO INCUR
20 MISCELLANEOUS IMPLEMENTATION EXPENSES

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DECLARATION OF WILLIAM A. UTIC

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1 I, William Utic, declare:

2 1. I have been employed by Pacific Gas and Electric Company ("PG&E")
3 since 1979. Since October 2001, I have held the position of Manager of Property Planning
4 and Transactions. Previous to 2001, I held various managerial positions within PG&E,
5 including responsibility for building operations, building design, engineering and
6 construction project management.

7 2. This declaration is submitted in support of PG&E's Third Motion for
8 Authority to Incur Miscellaneous Implementation Expenses (the "Motion"). Defined terms
9 used herein shall have the meanings set forth in the Motion. I make this declaration based
10 on personal knowledge, except where otherwise indicated, and if called as a witness, could
11 and would testify competently to the matters set forth herein.

12 3. To implement the Plan, PG&E anticipates that seven new buildings will be
13 leased and prepared for occupancy and 30 existing PG&E-owned buildings must be
14 modified for use by PG&E and the New Entities. These facilities are needed to provide
15 separate working areas for field employees of PG&E and each of the New Entities by the
16 Plan Effective Date. For example, PG&E currently has substation maintenance facilities that
17 include both distribution and electric transmission functions, which PG&E believes cannot
18 be operated effectively unless the employees of PG&E and employees of ETrans are
19 physically separated. Since PG&E and ETrans will be separate legal entities, it is important
20 that there be no confusion about employee supervision and compliance with legal and
21 business requirements. Another reason for the new buildings and existing building
22 modifications is that the New Entities will individually be smaller companies, with fewer
23 employees, than present day PG&E. In order for the New Entities to maintain properly
24 supervised work sites, it is necessary to modify existing work sites or to find new space that
25 will accommodate the need for consolidated work sites. This project will not provide for the
26 separation of all employees of PG&E and the New Entities by the Plan Effective Date;
27 rather, the separation described herein only covers a portion of the facility separation work,
28 specifically the portion that PG&E has deemed critical to complete by the Plan Effective

1 Date. The remaining facility separation work will be completed after the Plan Effective
2 Date.

3 4. Although PG&E has identified the need for new space to be leased and for
4 certain construction work to be performed, PG&E will not enter into any leases or
5 commence any construction work until after Plan confirmation (and after obtaining Court
6 approval). The projects set forth below involve preliminary work that must begin promptly
7 in order for PG&E to be prepared to commence construction work following Plan
8 confirmation.

9 5. Construction Project Managers. In order to prepare the new buildings for
10 occupancy, and modify the existing buildings to serve multiple companies, PG&E seeks to
11 hire construction project managers to manage the required construction work. Although
12 PG&E has in-house expertise in this area, PG&E does not believe it has the capacity to
13 perform the work in-house due to current workloads. PG&E intends to delay any necessary
14 construction work until after the Plan has been confirmed. However, in order to assess the
15 construction needs and plan for the construction work, it is necessary to hire the construction
16 managers promptly to perform preliminary work prior to confirmation. This preliminary
17 work will include the following tasks: (i) determining the scope of work to be performed on
18 each building; (ii) preparing and submitting local building permit and conditional use permit
19 applications; (iii) developing detailed, site-specific work schedules; and (iv) preparing
20 contract specifications, selecting qualified contractors, and negotiating contract terms.

21 6. Based upon its experience with similar projects, PG&E estimates that
22 approximately seven construction managers will be required to manage the building projects
23 at a total estimated cost of approximately \$425,000. The construction managers will be
24 hired on a temporary basis through Source California Energy Services, Inc.

25 7. Permits, Engineering and Other Pre-Construction Costs. With respect to
26 both the buildings to be leased and the existing PG&E-owned buildings, certain pre-
27 construction costs need to be incurred beginning in November 2002 for such items as
28 conditional use and construction permits, preliminary engineering and design work, and

1 environmental assessments. For example, in the case of a building that PG&E intends to
2 lease for use as a Materials Distribution Center for the New Entities,¹ there are currently
3 estimated costs of \$36,400, comprised of the following components: (i) \$2,000 for a
4 conditional use permit to operate the site as a utility warehouse and distribution center; (ii)
5 \$2,000 for a construction permit related to necessary facility modifications; (iii) \$24,900 for
6 design, seismic analysis, fire protection design and permits related to the installation of
7 materials racking (the vendor for this part of the project is Crown Lift Trucks Company, a
8 supplier of materials handling products, storage solutions and support services related to
9 warehousing and materials distribution systems as well as a certified fire engineering and
10 design firm); and (iv) \$7,500 for a Phase 1 Environmental Site Assessment.

11 8. PG&E anticipates that similar expenses will be incurred with respect to the
12 other buildings (provided that a Phase I will only be conducted with respect to the properties
13 to be leased). Until the construction project managers described in Section 1 above begin
14 work, PG&E will not have a precise estimate of the total pre-construction costs. Currently,
15 it is anticipated that Phase I assessments will be conducted with respect to all leased
16 properties at a cost of approximately \$7,500 each. PG&E also seeks authority to incur up to
17 \$100,000 in additional pre-construction expenses to cover permits and engineering costs.
18 While PG&E will have a more precise estimate of these pre-construction expenses within
19 the next month and expects that these expenses will exceed \$100,000, it is important that the
20 projects not be delayed while PG&E is determining the full extent of this work and can bring
21 another motion for Court approval. Based on PG&E's past experience in preparing

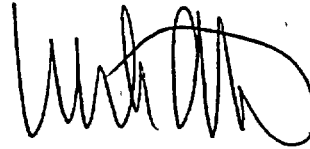
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23 ¹ At page 9 of the Motion for Authority to Incur Miscellaneous Implementation
24 Expenses, filed on August 15, 2002, PG&E explained its intent to have the New Entities
25 share PG&E's existing warehouses until a new Materials Distribution Center ("Center")
26 could be set up. PG&E has now decided to set up the new Center by the Plan Effective Date
27 in lieu of implementing shared warehouse procedures. This decision is based, in part, on the
28 availability of a suitable building for the new Center, which can be prepared for occupancy
by the Plan Effective Date. This will also avoid the difficulties of having the New Entities
temporarily share warehouse space with PG&E. The \$30,000 in consulting fees previously
approved for the management of the materials distribution project is still needed; the focus
of the project has simply shifted to development of the new Center in lieu of a facility
sharing strategy.

buildings for occupancy and the estimates that have been developed for the Materials Distribution Center, PG&E believes that it can begin certain critical or time-sensitive pre-construction work with the authority to incur up to \$100,000 at this time. Therefore, PG&E seeks authority to incur a total of \$181,400 in pre-construction costs, including: (i) \$36,400 in connection with the Materials Distribution Center, as described above, (ii) an additional \$45,000 for Phase-I assessments for 6 additional properties to be leased, and (iii) an additional \$100,000 for permit and engineering costs.

9. PG&E believes that it must begin to incur these expenses prior to Plan confirmation for the following reasons. The permits can take as long as two months to process; therefore, as soon as the project managers identify a need for a permit, an application will be submitted to the appropriate local government entity. Although PG&E may request permits in advance of leasing the properties, it is anticipated that the building owners will consent to the permit applications. The preliminary engineering work must begin prior to confirmation so that the actual construction work can begin promptly following confirmation; also, certain preliminary engineering work is often required in connection with the preparation of construction or conditional use permit applications. Finally, an environmental assessment of any property to be leased must be completed prior to the time PG&E enters into the lease, so that PG&E can be fully informed about any environmental hazards associated with the building and have a baseline assessment of the condition of the building prior to PG&E's occupancy.

10. PG&E's standard contractual provisions in place (or to be included in any contracts to be executed) with the construction managers described above and any engineering firms to be utilized will not guarantee future work or any minimum amount of revenue. PG&E will also maintain the right to terminate the work at any time without cause, in which case PG&E is liable only for work performed to the date of termination plus costs reasonably incurred by the consultant in terminating any work in progress.

1 I declare under penalty of perjury under the laws of the United States of America
2 that the foregoing is true and correct and that this Declaration is executed this 18th day of
3 October, 2002, at San Francisco, California.



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5 WILLIAM A. UTIC

6 WD 101702/1-1419905/1030566/v1
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